

Message Text

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ACTION NEA-11

INFO OCT-01 EUR-12 EA-10 ISO-00 SP-02 ICA-11 AID-05
EB-08 NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01
CIAE-00 COME-00 FRB-03 INR-10 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 H-01 L-03 PA-01 /117 W
-----115279 162156Z /70

P 161748Z MAY 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 6556
INFO AMEMBASSY BONN
AMEMBASSY TOKYO
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY THE HAGUE
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY PARIS

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PARIS FOR USOECD

E.O. 11652: N/A
TAGS: EFIN, PK, BE
SUBJECT: PAKISTAN DEBT RESCHEDULING

REF: STATE 117593

1. BELGIAN FOREIGN MINISTRY (ASIA ECONOMIC DESK OFFICER
HELLMANS) INFORMED US MAY 16 THAT THE PAKISTAN AMBASSADOR
DELIVERED A DEMARCHE ON DEBT RESCHEDULING THE SAME
MORNING TO ACTING MFA DIRECTOR GENERAL FOR ECONOMIC
AFFAIRS HOLLANTS. THE AMBASSADOR PRESENTED A FORMAL,
PRINTED MEMORANDUM OUTLINING THE GOP POSITION AND ASKING
FOR BELGIAN POLITICAL AND MORAL SUPPORT. IN ADDITION
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TO A FAVORABLE ATTITUDE TOWARDS DEBT RESCHEDULING, THIS
WOULD POSSIBLY INCLUDE PUTTING MOST IF NOT ALL FUTURE
BELGIAN AID TO PAKISTAN ON A GRANT BASIS.

2. ON THE OFF CHANCE THAT THE GOP HAS NOT YET DELIVERED
COPIES IN WASHINGTON AND PARIS, WE ARE POUCHING A COPY OF
THE PAKISTAN MEMORANDUM, DATED APRIL 29, 1978, TO THE

DEPARTMENT (EB/IFD) AND USOECD. IT ARGUES THE PAKISTAN CASE ALONG PREDICTABLE LINES, STATING THAT BOTH INTERNATIONAL DEVELOPMENTS AND INTERNAL NATURAL DISASTERS HAVE COMBINED TO PRODUCE AN AGGREGATE CURRENT ACCOUNT DEFICIT OF US \$ 3.9 BILLION FOR THE PERIOD 1972/73 - 1976/77. DEBT NOW ACCOUNTS FOR ABOUT HALF OF GNP WITH A DEBT SERVICE RATIO OF 37 PERCENT. AFTER DISCUSSING THE PROBLEM IN TERMS OF PROJECTED FOREIGN AID INFLOWS AND THE BALANCE OF PAYMENTS GAP, THE MEMORANDUM CONCLUDES THAT "THERE IS A STRONG JUSTIFICATION FOR A SUBSTANTIAL AMOUNT OF DEBT RELIEF FROM ALL CREDITORS". THE GOP PROPOSAL IS FOR RESCHEDULING OF 60 PERCENT OF DEBT SERVICING ON MATURITIES DUE DURING THE PERIOD JULY 1, 1978 TO JUNE 30, 1973--OR, AT LEAST, FOR THE FISCAL YEAR 1978/79.

3. HELLMANS, WHO HAS SERVED IN PAKISTAN, INDICATED THAT THE FOREIGN MINISTRY IS ALMOST AS BEARISH ON FURTHER DEBT RESCHEDULING AS THE FINANCE MINISTRY (SEE BRUSSELS 8604). HE REPEATED, HOWEVER, THAT BELGIUM WILL INEVITABLY GO WITH THE CONSORTIUM MAJORITY ON A FINAL DECISION. CHAMBERS

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Message Attributes

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